



Speech by

Mr L. SPRINGBORG

MEMBER FOR WARWICK

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BUILDING AND CONSTRUCTION INDUSTRY (PORTABLE LONG SERVICE LEAVE) AMENDMENT BILL

Mr SPRINGBORG (Warwick—NPA) (4.57 p.m.): In this debate on the Building and Construction Industry (Portable Long Service Leave) Amendment Bill, we have been asked by the Government—and especially by the Minister for Employment, Training and Industrial Relations—to accept some rather heroic financial assumptions. But in opposing this Bill, I want to draw to the attention of the House several matters relating to the Government's creative accounting in the area, and specifically the assertion by the Housing Industry Association—a body that can add up—that the new long service leave threshold will add \$200 to the cost of an average new home. We are talking about the \$80,000 to \$120,000 home price bracket. We are still talking about a lower income group that will be affected. I would certainly be interested in the Minister's comments on that for the record.

There is another issue on which I would like the Minister's comments. The statement made at the Construction 2001 Conference has been quoted in this place a number of times. That statement certainly seemed to imply that the Minister is intending to set up a separate levy as a training levy. This Bill, in effect, still accumulates that same amount of money, but it appears that the Minister has shifted ground from setting up a separate levy to withdrawing that levy from the Portable Long Service Leave Fund. I would be interested in the rationale behind that change. The only reason given by the Minister's office was to avoid administration charges. The establishment of this training fund will create a separate training bureaucracy. Why can this money not be administered and distributed through departmental agencies?

The Government asks us to accept the theoretical proposition that the authority will seek to review and improve its legislative frameworks by aligning the spirit and content of the Building and Construction Industry (Portable Long Service Leave) Act of 1991 to enable the provision of a wider range of benefits and services to clients of the building and construction industry. That sounds like a not-too-well-coded call for the cash cow to come in for the milking. Instead of improving and broadening its range of services, the authority now must raise funds for a vastly different purpose. There can be no doubt that those fundraisings are designed to bolster the Government's equally heroic claim, the personal claim of the Premier, that Labor's policies will result in its achieving a 5% unemployment rate. Everyone on this side of the House would welcome unreservedly the production by the Government of such a rate. Our argument is not with the concept or the objective; it is with the trick and crude electoral bribe that this Government has perpetrated on the young people of Queensland by flying a flag that Labor knows its policies cannot support. Piling up three-year training jobs without putting in the hard yards required to fire a genuine private sector revival so that trainees have the real opportunity of a genuine job at the end of it in the driving seat of the economy, the private sector, is a shonky deal. It is a typical Labor trick and will be exposed as such by a combination of time and failed performance.

We should remind ourselves that the role of the Building and Construction Industry (Portable Long Service Leave) Board includes: responsibility for the authority's commercial policy and management—to which the Government now wishes to add the role of providing funds to stimulate training; ensuring as far as possible that the authority achieves, and acts in accordance with, its corporate goals and carries out its corporate objectives outlined in its corporate plan; providing advice and recommendations to the Minister on issues affecting the provision of long service leave in the industry and the operation of the Building and Construction Industry (Portable Long Service Leave) Act

1991; and ensuring that the authority performs its functions in an appropriate, effective and efficient way. I ask the House: why put all that at risk?

When the authority's first corporate plan was completed five years ago, the laudable intention was that the organisation would progress over time towards being "best in class", that it would be an outstanding performer among both public sector and private organisations. From both the board's and the authority's perspective, it was recognised that there needed to be a clear long-term direction for the portable long service leave scheme to ensure that the maximum number of employees in the building and construction industry in Queensland obtained a benefit and the scheme became and remained financially viable. The corporate plan at that time indicated that the authority would use the principles of total quality management as a framework within which to develop continuous improvement, efficient business practices and high-quality client services.

Over the past five years, significant progress has been made towards the authority becoming a "best in class" organisation as demonstrated by: exceptional growth in employee membership; all liabilities being fully funded; continued financial viability of the scheme; 70% reduction in the rate of the portable long service leave levy; streamlined client services; a new planning framework that will take the authority into the next millennium; substantial staff and client input into the operation of the scheme; sustained low administrative costs; substantially improved investment performance; third-party quality certification of the authority's processes to AS/NZS ISO 9002:1994; and, in 1996, an AusIndustry Small Business Achievement in Business Excellence Award. None of these achievements has been attained overnight. They have taken five years of hard work by directors of the board and the authority's staff through continuous reviews and implementation of incremental improvements. Over the two and a half years of the coalition Government, those principles and practices were fostered, encouraged, assisted and maintained. On 12 November 1996, the authority was awarded a 1996 AusIndustry Small Business Achievement in Business Excellence Award by the Australian Quality Awards Foundation. The award was presented to the general manager by the then Premier, my colleague the honourable member for Surfers Paradise. The award formally recognised—and, may I say, deservedly so—the authority's effort and achievements in continuous improvement and business excellence.

There has been continuous growth in membership. Sadly, it may be that Labor's smash-and-grab financial policies may put that at risk. Employee membership and employer registration are integral to the success of the scheme and the number of claims able to be paid to recipients in the building and construction industry. The scheme has shown a significant increase in membership of both employees and employers; 7,649 employers were registered in the authority's databases.

Under the coalition, the scheme's legislation was amended in June 1997 to implement a 25% reduction in the long service leave levy rate from 0.2% to 0.15% to take effect from 1 July 1997. The levy rate has now decreased by 70% since the scheme's inception in 1992, providing savings of approximately \$25m a year to clients of the building and construction industry. That \$25m saving would enable the creation of far more long-term jobs in the industry than will be created by the training levy, which—as the member for Gladstone so aptly observed—has no cap. There is every likelihood that that levy, starting at \$5.4m a year, will soon expand to eat up that \$25m.

Under the coalition's legislation, which this intrusive and manipulative Labor amending Bill seeks to hobble, the fund was an open and accountable entity for all involved. We regarded that openness and accountability as absolutely fundamental to the operation of a scheme designed to benefit private sector employees. A client may appeal to an industrial magistrate in relation to a decision or determination made by a staff member, including the outcome of the general manager's reconsideration. Following the appeal hearing, the industrial magistrate may set the decision or determination aside. Another course of action available to aggrieved clients is for them to write to the Minister for Training and Industrial Relations outlining their specific concerns. These are formally reviewed by the general manager and the outcome of the review is conveyed through the Minister to the client. Again, there has been a steady decline in client letters to the Minister for Training and Industrial Relations.

The latest annual report, provided to the Parliament this week, indicates clearly that the scheme is serving employees exceptionally well. When the scheme commenced in 1992, it was estimated that the number of employees who would seek membership would plateau at 40,000. But in 1997-98, employee membership grew by 16% to a total of 70,225 active members. Of those, over 55,316 employees have service credits recorded in the authority's statutory register. The majority of new members currently with no service are expected to have service credits recorded at the completion of processing of the 1997-98 certificates of service. The better-than-expected growth in employee membership over the year can be credited to the authority's client contact staff who have continually promoted the benefits to eligible employees, particularly industry apprentices.

In 1997-98 payments made directly to employees have amounted to \$445,993. Although the number of employee claims at this stage are few, indications are that the level of understanding of the benefits of being a member is rising among employees. Employee claims will increase substantially

from the year 2002 when the first claims for a full 15 years' service are able to be made. It is to be hoped that Labor's mathematicians have got their sums right and the claims of employees in the longer-term future are well covered. The average cost of servicing employee members had decreased from \$149.62 in 1992-93 to \$40.37 in 1997-98. That decrease resulted from the staff's efforts to increase employee membership as well as improved documentation of processes and real savings in budgeted expenditure.

It is in the area of servicing employee members that the greatest risk is posed by the future effect of this amending legislation's conversion of the fund into a money supply for the Government's political aims. In short, this legislation is bad policy and should be rejected on that ground alone.

It is, in fact, very difficult to see how the authority's gazetted corporate goals to safeguard the financial viability of the scheme and to optimise the rate of return on the fund consistent with the authority's risk profile can safely coexist with Labor's record in these areas. We must not let the outstanding managerial and financial achievements be put at risk. In that context, it is worth running through the financial picture as illustrated in the 1997-98 annual report. As at 30 June 1998, all liabilities were fully funded, resulting in the authority recording a surplus of \$119.2m. The average rate of return on investments of 11.11% exceeded the authority's benchmarks. There was an estimated 97% compliance rate with the payment of its levy; the authority was \$0.68m under budget in recurrent expenditure, with a total revenue of \$29.15m for the year.

It is these exceptionally good financial results achieved by the board and its dedicated and hardworking staff that has attracted the attention of Minister Braddy, who wishes to siphon off a significant amount of these funds collected specifically to fund workers' leave entitlements and use them for a completely different purpose. Although it is the intention of the present Government to regard the surplus in funds as a windfall to be distributed elsewhere, it needs to realise that the rate of return on the authority's capital is subject to variation, particularly in times of economic uncertainty such as those which affect us now. I think that it is probably fair to say that all members of this Parliament, most members of the business community and many members of the general community are very concerned about the negative and unsure economic times that we are entering into at this stage and particularly the unknown implication of the length of the Asian economic crisis. It should heed the warning that would be given by any reputable financial adviser and not base its decisions principally on the current excellent rate of returns that were, as this report and the previous one indicates, achieved during the coalition's time in Government.
